

Message Text

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SUBJECT: SHACKLETON'S ECONOMIC SURVEY OF THE FALKLAND
ISLANDS

SUMMARY: LORD SHACKLETON'S ECONOMIC SURVEY OF THE
FALKLAND ISLANDS RECOGNIZES THAT LITTLE OF THE OFF-SHORE
POTENTIAL OF THE ARCHIPELAGO CAN BE EXPLOITED WITHOUT
ANGLO-ARGENTINE COOPERATION. THE REPORT FINDS THE DO-
MESTIC ECONOMY OF THE ISLANDS STAGNATING BUT HOLDS OUT
THE PROMISE--IF ALL PARTNERS ARE WILLING--OF A MAJOR IN-
TERNATIONAL FISHING INDUSTRY. GAS AND OIL POSSIBILITIES
ARE TREATED CIRCUMSPECTLY IN THE REPORT, BUT ARGENTINE
PARTICIPATION IS ENCOURAGED IN ANY EFFORT TO TAP RE-
SERVES. POLITICALLY, THE REPORT MAY STIMULATE ISLANDERS
TO THINK THAT THEIR FUTURE LIES IN CLOSER RELATIONS WITH
BUENOS AIRES, AND IT MAY ENCOURAGE ARGENTINES TO SET
ASIDE POLITICAL OBSTACLES IN ORDER TO DEVELOP SIGNIFICANT
ECONOMIC BENEFITS. END SUMMARY

1. LORD SHACKLETON'S ECONOMIC MISSION TO THE FALKLAND
ISLANDS, WHICH BROUGHT NEW TENSIONS TO ANGLO-ARGENTINE
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RELATIONS EARLIER THIS YEAR AND RESULTED IN THE WITH-

DRAWAL OF THE BRITISH AMBASSADOR FROM BUENOS AIRES, HAS NOW PRODUCED ITS FINAL REPORT. ENTITLED, "ECONOMIC SURVEY OF THE FALKLAND ISLANDS", THE DOCUMENT RUNS 454 PAGES AND COVERS EVERY ASPECT OF THE ISLANDS' ECONOMY FROM THE NEED FOR A MORE VIGOROUS PHILATELIC POLICY TO THE POSSIBILITY OF DEVELOPING A MAJOR FISHING INDUSTRY. RESEARCH INTO THE POTENTIAL OF OFF-SHORE OIL EXPLORATION IS CALLED FOR ALONG WITH A MORE THOUGHTFUL POLICY ON PENGUINS. IN SHORT, THE MISSION'S REPORT IS PROBABLY THE MOST THOROUGH ECONOMIC REVIEW EVER PUBLISHED ON THE SMALL ARCHIPELAGO LYING 7500 MILES FROM THE BRITISH ISLES.

2. DESPITE THE EXTENSIVE AND DETAILED NATURE OF THE PUBLICATION, SHACKLETON'S INTRODUCTION RECOGNIZES THAT THE DOCUMENT HAS A SLIGHTLY UNREAL AIR. MAJOR AND MINOR ECONOMIC PROBLEMS ARE DISCUSSED, BUT SHACKLETON SAYS THAT MOST DIFFICULTIES WILL REMAIN UNRESOLVED UNLESS THERE IS CREATED A NEW POLITICAL FRAMEWORK OF COOPERATION WITH ARGENTINA. HE NOTES THAT THE TERMS OF REFERENCE OF THE REPORT "EXCLUDED ANY MATTERS RELATING TO THE POLITICAL FUTURE" AND THAT THE SURVEY ASSUMES THAT THE ISLANDS' "POLITICAL STATUS WOULD REMAIN THE SAME AS DURING THE PAST ONE AND A HALF CENTURIES. NONETHELESS, THE HOPEFUL DEVELOPMENT IN INTERNATIONAL AFFAIRS WHICH HAS LED TO REGIONAL COOPERATION BETWEEN DIFFERENT NATIONS IS AS RELEVANT TO THIS PART OF THE WORLD AS TO OTHER AREAS WHERE ECONOMIC COOPERATION HAS BEEN ACHIEVED. IT IS THEREFORE LOGICAL," SHACKLETON CONTINUES, "THAT IN ANY MAJOR NEW DEVELOPMENTS OF THE ISLANDS' ECONOMY, ESPECIALLY THOSE RELATING TO THE EXPLOITATION OF OFF-SHORE RESOURCES, CO-OPERATION WITH ARGENTINA--EVEN PARTICIPATION--SHOULD, IF POSSIBLE, BE SECURED."

3. THE REPORT CONCENTRATES ON THREE SIGNIFICANT FIELDS FOR ECONOMIC DEVELOPMENT IN THE FALKLANDS: A) THE INTERNAL ECONOMY OF THE ISLANDS IS PRESENTLY STATIC AND SHACKLETON SPECIFICALLY INDICTS THE ADMINISTRATION OF THE DOMINANT FALKLAND ISLANDS COMPANY. THE ISLANDS SUFFER FROM THE UNRESTRICTED TRANSFER OF THE COMPANY'S FUNDS TO ITS BASE IN THE UK. IN FACT, THE REPORT SAYS, THE BENEFIT TO LIMITED OFFICIAL USE

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THE BRITISH EXCHEQUER FROM TAX ON FUNDS TRANSFERRED TO THE UK "HAS ALMOST CERTAINLY EXCEEDED THE VALUE OF GOVERNMENT AID." THE REPORT CALLS FOR TIGHTER CONTROLS ON SUCH TRANSFERS SUPPLEMENTED BY A FIVE YEAR 13 MILLION POUND AID PROGRAM (THIS LATTER RECOMMENDATION MIGHT PROVE HARD TO JUSTIFY TO THE HARD-PRESSED BRITISH PUBLIC NOT ONLY BECAUSE OF THE MINIATURE SIZE OF THE FALKLAND COMMUNITY--LESS THAN 2000--BUT BECAUSE OF ITS RELATIVE PROS-

PERITY);B) THE REPORT LAYS CONSIDERABLE STRESS ON THE DEVELOPMENT OF FISHING IN BOTH THE COASTAL WATERS AND OFF-SHORE SEAS SURROUNDING THE ISLANDS. SHACKLETON SPECULATES THAT THE SOUTHERN OCEAN MAY BE "THE WORLD'S LARGEST UNTAPPED SOURCE OF PROTEIN," AND ESTIMATES THAT 100 MILLION TONS A YEAR OF KRILL (A LARGE SHRIMP) COULD BE CAUGHT AND ONE MILLION TONS A YEAR OF BLUE WHITING. THE

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AREA IS SURE TO BE EXPLOITED, THE SURVEY COMMENTS, AND IT IS ONLY A QUESTION OF BY WHOM, AND MORE PARTICULARLY, WHETHER BRITISH GOVERNMENT OR INDUSTRY WILL SET ASIDE THE NECESSARY FUNDS; C) ALTHOUGH THE SURVEY OFTEN INCLUDES OIL AND GAS IN ITS GENERAL REFERENCES OF OFF-SHORE RESOURCES, IT IS NOT NEARLY AS SPECIFIC IN THIS AREA AS IN THE DISCUSSION ON FISHING. WITH A BOW TO BUENOS AIRES, SHACKLETON WRITES, "GEOLOGICAL AND PRELIMINARY SEISMIC EVIDENCE IS SUCH THAT THERE IS CERTAIN TO BE INTEREST IN EXPLORATION BY OIL COMPANIES PROVIDED THAT AGREEMENT IS REACHED WITH ARGENTINA OVER A FORM OF COOPERATION FOR

EXPLORATION/PRODUCTION." EXTENSIVE RESERVES, HOWEVER, REMAIN TO BE PROVEN.

4. COMMENT: SHACKLETON'S THOROUGH AND PROFESSIONAL SURVEY OF THE FALKLAND ISLANDS MAY BE RELEGATED TO THE DUSTY SHELVES OF VARIOUS WHITEHALL MINISTRIES WITHOUT ANY PRACTICAL ECONOMIC IMPACT. BUT FROM THE POLITICAL POINT OF VIEW THE SURVEY HAS AT LEAST SERVED TWO LIMITED PURPOSES. FIRST, IT HAS AUTHORITATIVELY TOLD THE SMALL BRITISH LIMITED OFFICIAL USE

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COMMUNITY ON THE ISLANDS THAT ITS ECONOMY AND THEREFORE ITS SOCIETY ARE IN A STATE OF DECLINE. THE ONLY APPARENT WAY TO REVERSE THE DRIFT IS THROUGH IMAGINATIVE AND LARGE-SCALE ECONOMIC SCHEMES WHICH IN TURN CALL FOR CO-OPERATION AND PERHAPS COMPROMISE WITH ARGENTINA. SECOND, THE REPORT IS A SIGNAL TO THE ARGENTINE GOVERNMENT THAT THE VAST ECONOMIC POTENTIAL OF THE FALKLANDS MIGHT GO UNEXPLOITED AS LONDON AND BUENOS AIRES SQUABBLE OVER THE STATUS OF THE ARCHIPELAGO IN INTERNATIONAL LAW. THE OBVIOUS ECONOMIC BENEFITS TO BE DERIVED FROM ANGLO-ARGENTINE COOPERATION, WHITEHALL HOPES, MIGHT ENCOURAGE BOTH PARTIES TO SEARCH MORE CREATIVELY FOR A POLITICAL COMPROMISE IN THE FALKLANDS.

5. WE UNDERSTAND THE FOREIGN OFFICE HAS PASSED A COPY OF THE SHACKLETON REPORT TO THE ARGENTINE GOVERNMENT. THE EMBASSY IS POUCHING ONE COPY TO THE DEPARTMENT AND ONE TO EMBASSY BUENOS AIRES.

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